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Economic and environmental questions: sustainable development

International cooperation to reduce the impact of the El Niño phenomenon

Report of the Secretary-General

Summary

The present report has been prepared pursuant to General Assembly resolution 54/220. It builds on previous reports of the Secretary-General on this topic (A/53/487 and A/54/135-E/1999/88). It reviews the context of the El Niño phenomenon (sect. I), ongoing activities (sect. II) and future arrangements for the Inter-Agency Task Force on El Niño (sect. III), and provides recommendations (sect. IV). An annex, prepared with the support of the World Meteorological Organization, concerns country and agency reviews on the impacts of the 1997/98 El Niño event.

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I. Context

1. The term El Niño, although not rigorously defined, is associated with a major warming of the surface layers of the central and eastern equatorial Pacific Ocean. An El Niño event occurs when warm water flows eastward from the warm pool of the western tropical Pacific Ocean and there is a reduction in upwelling of cold water in the eastern equatorial Pacific Ocean and along the Pacific coast of the Americas. Once initiated, an El Niño event typically lasts about a year, although climate anomalies in some parts of the globe may persist longer. Such an event occurred during much of 1997 and faded rapidly around mid-1998. This event is generally recognized now to have been one of the most intense and devastating in recorded history, although in a number of locations, notably in Southern Africa and Australia, its impacts were not as severe as the previous severe event of 1982/83.

2. The dramatic changes in weather and climate patterns across the Pacific Ocean associated with El Niño are one extreme of what is referred to as the Southern Oscillation, and the overall coupled ocean-atmosphere processes are referred to as El Niño Southern Oscillation (ENSO). The other extreme of the Southern Oscillation is associated with colder than normal waters over the eastern equatorial Pacific Ocean and a piling up of warm waters in the west, and is referred to as a La Niña event. The two extremes are often referred to as the warm phase and cold phase, respectively, of ENSO, indicating that they appear to be part of a single phenomenon.

3. The shifting of seasonal weather patterns that was triggered by the 1997/98 El Niño event produced climate extremes over many parts of the globe, often with major socio-economic impacts. More than 24,000 lives were lost because of high winds, floods or storm tides that occurred during intense storms. In addition, some 110 million people were affected, including more than 6 million people who were displaced as community infrastructures, including housing, food storage, transport and communications, were lost during storms. The direct value of losses exceeded US$ 34 billion. While waterlogging of fields led to reduced agricultural production in many parts of the world, in other regions the absence of the usual seasonal storms and rains led to prolonged dry spells, loss of crops and reduction in water supplies. Further, increased incidence of disease occurred due to the prolonged disruption to weather and rainfall patterns that resulted in contamination of water supplies and a more favourable environment for disease-carrying insect vectors.

4. The intense 1997/98 El Niño event was rapidly replaced by La Niña conditions, which set in during the latter half of 1998, prevailed through 1999 and continued into 2000. This La Niña phase appears to have brought its own set of disasters in many areas of the world; however, a thorough analysis such as that carried out on the preceding La Niña phase has not been carried out. There is considerably less confidence at this stage, therefore, in attributing recent incidences of drought and flood, such as the extensive flooding in Mozambique, solely to ENSO.

5. The 1997/98 El Niño event clearly demonstrated useful and developing capabilities in the areas of climate monitoring and prediction. However, gaps in knowledge of the climate system and monitoring coverage and the early stage of development of climate forecasting models indicate the potential for significant improvement.

6. In response to General Assembly resolution 52/200, the Inter-Agency Task Force on El Niño was created in December 1997 within the framework of the International Decade for Natural Disaster Reduction (IDNDR). The General Assembly welcomed its establishment for cooperative work between member agencies and their partner agencies outside the United Nations system. The Task Force provided a platform for combining efforts to improve understanding of the El Niño phenomenon, for disseminating early warnings prior to the events and for channelling technical assistance and capacity-building resources to Member States threatened or affected by El Niño/La Niña-related disasters.

7. In pursuance of General Assembly resolution 52/200 and with the generous support of the Government of Ecuador, the Inter-Agency Task Force on El Niño and the Permanent Commission for the South Pacific convened the first global assessment of the 1997/98 El Niño event. An international seminar was held in Guayaquil, Ecuador from 9 to 13 November 1998, which provided a substantive interface between the scientific and technological constituencies and their operational partners in disaster prevention, humanitarian disaster management and

operational development. Experience with the 1997/98 El Niño event demonstrated once again the potentially devastating effects of El Niño-related climate extremes on the sustainable development efforts of developing countries, where most of the socially damaging impacts occur.

8. The Guayaquil seminar provided the opportunity for IDNDR to commission a thorough scientific and technical analysis of the 1997/98 El Niño event. This analysis was prepared by the World Meteorological Organization (WMO), with financial and technical support from the United Nations Environment Programme (UNEP), the Intergovernmental Oceanographic Commission (IOC) of UNESCO and the International Council of Scientific Unions (ICSU). The report was published just prior to the fifty-fourth session of the United Nations General Assembly. Also stimulated by the Guayaquil meeting was a project to assess the impact of the El Niño event on 16 developing countries around the world. This project was initiated with support from the United Nations Fund for International Partnerships (UNFIP).

9. The closing stages of IDNDR provided a number of opportunities to assess the efforts carried out so far by the international community to reduce the impact of the ENSO phenomenon. For example, an IDNDR programme forum, held in Geneva from 5 to 9 July 1999, convened a panel on the theme: "Climate variabilities and extremes: El Niño, La Niña". The ENSO phenomenon was discussed at several other international forums, as well.

10. The seventh session of the Commission on Sustainable Development requested the Secretary-General to gather information on all aspects of the impact of ENSO, through national reports on the implementation of Agenda 21, and to provide this information to the Inter-Agency Task Force on El Niño. This information would provide a base for the development of an international comprehensive strategy towards the assessment, prevention, mitigation and rehabilitation of the damage caused by ENSO.

11. At the fifty-fourth session of the General Assembly, the Secretary-General submitted a report on international cooperation to reduce the impact of the El Niño phenomenon (A/54/135-E/1999/88), as requested in General Assembly resolution 53/185. The General Assembly, in its resolution 54/220, noted with appreciation the efforts made to reduce the impact of natural disasters related to the El Niño phenomenon through improved scientific understanding, close monitoring and the dissemination of timely forecasts to communities affected, in particular the efforts of the Inter-Agency Task Force on El Niño, in close cooperation with member agencies of the Inter-Agency Committee on the Climate Agenda.

12. The Climate Agenda is the organizational framework under Agenda 21 for coordinating international climate activities and for further developing regional and global infrastructures for understanding of the climate system. The agencies and programmes that make up the Climate Agenda provide the scientific and technical capability necessary to support a global, multidisciplinary approach to reducing vulnerability, building resilience and mitigating the negative impacts of climate extremes and for the promotion of sustainable development. Co-sponsors of the Climate Agenda are relevant agencies of the United Nations, led by WMO, and non-governmental bodies led by ICSU. The four pillars of the Climate Agenda for addressing global climate issues are: dedicated observations of the climate system; new frontiers for climate science and prediction; studies of climate impact assessments and response strategies to reduce vulnerability; and climate services for sustainable development.

13. IDNDR came to a close in December 1999. As a successor arrangement to IDNDR, the Secretary-General established an inter-agency task force and an inter-agency secretariat for disaster reduction under the direct authority of the Under-Secretary-General for Humanitarian Affairs. The International Strategy of Disaster Reduction (ISDR) was established in Economic and Social Council resolution 1999/63 and General Assembly resolution 54/219; since January 2000, steps have been taken to implement those resolutions. The ISDR Task Force will assess trends of risk from natural, environmental and technological hazards, and will assess the relevance of risk reduction in relation to existing and/or emerging strategic domains of the United Nations system.

14. The ISDR Task Force will also provide platforms for action by establishing thematically specific ad hoc working groups, which relate to strategic domains, such as ENSO, early warning and the quantification of risk, and the vulnerability and impact of disasters. Such ad hoc working groups would be chaired and coordinated by the ISDR Task Force member entity

most concerned with regard to existing or evolving mandates. Within their areas of specific concern, the ad hoc working groups would develop proposals for concrete (model) activities, which involve the respective constituencies at large. They will also work out specific action plans on the implementation of such activities.

II. Ongoing activities

15. In accordance with its lead role on science and technology in the Inter-Agency Task Force on El Niño, WMO embarked on a feasibility study for an international centre for the research of the El Niño phenomenon in Guayaquil, as requested in the Declaration of Guayaquil. The study began with a WMO mission to Ecuador from 27 January to 7 February 1999.

16. The proposed centre has the full support of the Government of Ecuador and the national and regional institutions with which it would cooperate, and tangible support is also expected from the wider international climate science constituency. The centre would have two main functions: to promote and undertake research on the ENSO phenomenon and mathematical modelling to permit "downscaling" of global climate predictions to regional and national scales; and to provide outreach services to the community of users of ENSO data and predictions. The probable annual costs involved would include an estimated US$ 1.1 million from the host country, US$ 300,000 from external resources, and US$ 2.62 million for equipment capital costs.

17. In September 1999, the Inter-American Development Bank and WMO signed an agreement for a study on the prediction and amelioration of socio-economic impacts of ENSO in Latin America and Caribbean countries, which began in March 2000 and will run for 18 months. In the study, the feasibility of early warning systems, including climate prediction on seasonal to inter-annual time scales, will be analysed in selected countries and subregions from the technical, economical, social, environmental, legal and institutional points of view. The study includes an evaluation of the existing institutional and technical forecasting capability in Latin America and Caribbean nations, as well as the formulation of project proposals and the analysis of the economic value of improved early warning systems.

III. Inter-Agency Task Force on El Niño: future arrangements

18. The Inter-Agency Task Force on El Niño, constituted within the framework of IDNDR, recognized the need for and the potential of applying science and technology in this field of climate variabilities to more effectively prevent natural disasters caused by ENSO events. WMO has agreed to take the lead in respect of the science and technology roles of the Inter-Agency Task Force on El Niño, in particular in relation to the understanding, observing and predicting of the El Niño phenomenon and its related meteorological and hydrological impacts.

19. At its fifty-third session, the General Assembly noted, *inter alia*, that any credible strategy for the reduction of the natural disaster effects of future El Niño occurrences must be based on effective dialogue and cooperation between the scientific and technological areas of the United Nations system and its operational responsibilities in the fields of disaster management, humanitarian assistance, sustainable development, technical cooperation and capacity-building, including data collection, monitoring and early warning systems, at all levels.

20. The first meeting of the ISDR Task Force on Disaster Reduction was convened in Geneva from 27 to 28 April 2000. The ISDR Task Force members agreed that it should be regarded as an interdisciplinary forum for advancing disaster reduction, identifying areas of common concern and devising guidelines for the implementation of the Strategy. It was also agreed that ad hoc working groups would be created for areas mandated by relevant General Assembly resolutions or identified by the Task Force as areas of common concern. The working groups would be comprised of a maximum of 10 entities/persons, with a majority being Task Force members. They would start work immediately, with the support of the ISDR secretariat, and would prepare recommendations to be submitted to the ISDR Task Force for endorsement.

21. The working group on El Niño/La Niña was established, under the leadership of WMO, with the participation of the Food and Agriculture Organization of the United Nations, the United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization, UNEP, the Organization of American States and the South Pacific Applied

Geoscience Commission (SOPAC). Additional members would also be included.

IV. Recommendations

22. The experience gained following the 1997/98 El Niño and subsequent La Niña events have highlighted the need for concerted action among United Nation system partners and counterparts outside the system. The ISDR Task Force working group on El Niño/La Niña, under the leadership of WMO, should take on the role of the former IDNDR Inter-Agency Task Force on El Niño and build on its concrete outputs to date.

23. ISDR activity on ENSO should be linked to other relevant strategic platforms, such as the Climate Agenda and the environmentally related conventions that have emerged from the United Nations Conference on Environment and Development (UNCED), through the United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification in those Countries Experiencing Severe Drought and/or Desertification, particularly in Africa, and the Convention on Biodiversity.

24. Given the inextricable relationships between climate variability, social and economic vulnerability and the effectiveness of early warning systems for natural disasters, it is imperative that functional synergies be created between the various working groups of the ISDR Task Force dealing with these matters.

25. Concrete activities in the domains of advocacy, coordination of action and wide dissemination of information should continue. Such events as workshops to examine the impacts of extreme weather and climate-related events on social and economic activities in the field of agriculture, water resources and human health should be encouraged, especially in developing countries. Forums should also be supported in which the scientific community can interact with user communities on an ongoing basis, providing weather and climate information, to develop approaches for minimizing the adverse effects of expected patterns of climate variability and extremes.

26. Support should be given to the proposed regional ENSO centres, such as the Guayaquil centre. Despite the existence of rich sources of information, data on the ENSO phenomenon has not always been easily interpreted by user communities due to lack of processing and adaptation to their specific needs. The regional ENSO centres could facilitate the distribution of relevant information to users in countries within relatively homogeneous climatic regions, and could promote the best possible utilization of such information to reduce the impact of disasters.

Annex

Country and agency reviews on the impacts of the 1997/98 El Niño event

1. Communities and economies that were affected by the 1997/98 El Niño Southern Oscillation (ENSO) event experienced very different impacts. The United Nations Environment Programme is taking the lead within the framework of the Climate Agenda for coordinating and arranging support for impact assessment studies. A study of 16 countries* affected by the event, which was launched in April 1999 with the participation of the United States National Center for Atmospheric Research, the United Nations University, the World Meteorological Organization and the International Strategy for Disaster Reduction secretariat and supported through the United Nations Fund for International Partnerships, is currently under way.

2. The assessment will review forecasts and impacts of the 1997/98 El Niño, as well as the climate-related early warning and natural disaster preparedness systems in the selected countries in order to improve their ENSO coping mechanisms. Based on the assessment, the project will identify research and policy needs and develop preliminary guidelines for regional and national natural disaster management plans for ENSO warm and cold events and their impacts. The review and assessment will form the basis for:

(a) Identifying policy needs which can then be developed or incorporated into appropriate operational disaster management and research programmes. This would include but would not be limited to needs relating to the potential yet-to-be-identified linkages between ENSO and climate change;

(b) Developing a preliminary set of guidelines for national and regional preparedness for ENSO;

(c) Designing a capacity-building programme for fellowship and training of mid-level resource and sector managers, postgraduate education and outreach to the international academic and scientific community.

3. There will be three major outputs from this study:

(a) Individual country study reports that will explain in some detail the extent to which each country was able to prepare and respond to El Niño-related events as they unfolded and to cope with the after-effects;

(b) A brief for policy makers on the general lessons learned by the 16 countries, with the identification, where possible, of lessons that may be regional or unique but important in nature;

(c) A publication that will highlight the major features of each country study and set down the general cross-cutting lessons to be drawn from the chronology of the event, from the initial detection/forecast through its evolution and its eventual demise.

4. Through an improved understanding of early warning, the project will ultimately contribute to the safety and welfare of people and the environment by enhancing preparedness for the impacts of future ENSO events.

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* Countries participating in the project are: Mozambique, Viet Nam, Ethiopia, Papua New Guinea, Ecuador, China, Philippines, Panama, Fiji, Kenya, Cuba, Bangladesh, Costa Rica, Peru, Paraguay and Indonesia.

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Item 20 (c) of the preliminary list*
Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance: assistance to the Palestinian people

Economic and Social Council
Substantive session of 2000
Item 9 of the provisional agenda**
Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations

Letter dated 3 July 2000 from the Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People addressed to the Secretary-General

I have the honour to draw your attention to the Seminar on Prospects for Palestinian Economic Development and the Middle East Peace Process, convened by the Committee on the Exercise of the Inalienable Rights of the Palestinian People in accordance with General Assembly resolutions 54/39 and 54/40 of 1 December 1999. The Seminar was held in Cairo on 20 and 21 June 2000.

The Seminar provided the framework for a discussion on the current state of the Palestinian economy, the factors that affect it and its future prospects, with a view to mobilizing greater support from the international community for the attainment of the legitimate economic rights of the Palestinian people.

The Seminar was attended by donor and other Governments, intergovernmental organizations, organizations and entities of the United Nations system, officials of the Palestinian Authority and non-governmental organizations active in the field, as well as experts. The Committee considers that the Seminar was a useful gathering and hopes to have made a constructive contribution to international efforts aimed at promoting the economic development of the Palestinian people during the transitional phase. Moreover, the Committee is of the view that efforts to achieve a political settlement will succeed only if they are accompanied by policies designed to promote the living conditions of the Palestinian people, as well as economic cooperation and development.

I have the honour to attach, for your information, the report of the Seminar (see annex). I should be grateful if you would have the text of the present letter, together with the report, circulated as a document of the General Assembly, under

* A/55/50.
** E/2000/100.

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item 20 (c) of the preliminary list, and of the Economic and Social Council, under item 9 of the provisional agenda.

(*Signed*) Ibra Deguène **Ka**
Chairman
Committee on the Exercise of the Inalienable
Rights of the Palestinian People

Annex

Report of the United Nations Seminar on Prospects for Palestinian Economic Development and the Middle East Peace Process, held at Cairo on 20 and 21 June 2000

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I. Introduction

A. Organization of the Seminar

1. The United Nations Seminar on Prospects for Palestinian Economic Development and the Middle East Peace Process was convened by the Committee on the Exercise of the Inalienable Rights of the Palestinian People in accordance with its mandate to promote international support for and assistance to the Palestinian people during the transitional period. The Seminar was held in Cairo on 20 and 21 June 2000.

B. Participation

2. The Committee on the Exercise of the Inalienable Rights of the Palestinian People was represented by a delegation comprising Ibra Deguène Ka (Senegal), Chairman; Ravan Farhâdi (Afghanistan), Vice-Chairman; Walter Balzan (Malta), Rapporteur; Ibrahim M'baba Kamara (Sierra Leone); Rafael Dausá Céspedes (Cuba); and Nasser M. Al-Kidwa (Palestine). The Committee Chairman served as Chairman of the Seminar.

3. Invitations to participate in the Seminar were extended to Governments, intergovernmental organizations, organizations and agencies of the United Nations system, and non-governmental organizations. A number of experts were invited to make presentations at the Seminar.

4. The following Governments were represented at the Seminar: Afghanistan, Albania, Argentina, Armenia, Austria, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Cameroon, Chile, China, Colombia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Democratic Republic of the Congo, Denmark, Ecuador, Egypt, Ethiopia, France, Germany, Ghana, Greece, Guatemala, Hungary, India, Indonesia, Ireland, Italy, Japan, Jordan, Kazakhstan, Lebanon, Lesotho, Liberia, Malawi, Malaysia, Mali, Malta, Mauritius, Mexico, Mozambique, Myanmar, Nepal, Netherlands, Norway, Oman, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Romania, Russian Federation, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sudan, Sweden, Thailand, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Viet Nam and Zambia.

5. The following organizations, agencies and other entities of the United Nations system participated in the Seminar: Office of the United Nations Special Coordinator; Economic and Social Commission for Western Asia (ESCWA); United Nations Conference on Trade and Development (UNCTAD); United Nations Development Programme (UNDP); United Nations Population Fund; World Food Programme; United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA); Office of the United Nations High Commissioner for Refugees; United Nations Information Centre (Cairo); United Nations Truce Supervision Organization; Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization (UNESCO); International Civil Aviation Organization; International Monetary Fund; Universal Postal Union (UPU); International Telecommunication Union (ITU); and United Nations Industrial Development Organization.

6. The following intergovernmental organizations were represented at the Seminar: European Commission; International Organization for Migration; League of Arab States; Organization of African Unity; and Organization of the Islamic Conference.

7. The delegation of Palestine took part in the work of the Seminar.

8. The following experts presented papers: Samir Abdullah, General Manager of the Palestine Trade Centre (Paltrade); Salem Ajluni, Head, Economic and Social Monitoring Unit, Office of the United Nations Special Coordinator; Saad Al-Khatib, Deputy Director-General for International Relations, Ministry of Economy and Trade, Palestinian Authority; Maher Al-Masri, Minister of Economy and Trade, Palestinian Authority; Saeb Bamya, Director-General for International Relations, Ministry of Economy and Trade, Palestinian Authority; Omar Daoudi, Senior Adviser to the Programme of Assistance to the Palestinian People, UNDP, in Jerusalem; Sharif S. Elmusa, Associate Professor of Political Science, American University, Cairo; Gil Feiler, Managing Director of Info-Prod Research (Middle East), Ramat-Gan; Emad Gad, Researcher on Palestinian Affairs, Al-Ahram Centre for Political and Strategic Studies, Cairo; Nadav Halevi, Professor of International Trade,

Department of Economics, Hebrew University, Jerusalem; Edward Haley, Professor of International Relations, Claremont McKenna College and Claremont Graduate University, California; Samir Huleileh, Nassir Investments Co., Ltd., Bethlehem; Yossi Katz, member of the Israeli Parliament (Knesset); Raja Khalidi, Coordinator, Assistance to the Palestinian People Unit, Globalization and Development Strategies Division, United Nations Conference on Trade and Development; David Newman, Head of the Department of Politics and Government, Ben Gurion University of the Negev; Taher Shash, Legal Adviser, Arab Organization for Human Rights; Mohammad Shtayyeh, Director-General of the Palestinian Economic Council for Development and Reconstruction, Palestinian Authority; Akrum Tamimi, Vice-President for Planning and Development, Hebron University; and Shibley Telhami, Professor of Government and Politics, University of Maryland, and Senior Fellow, the Brookings Institution, Washington, D.C.

9. The following non-governmental organizations participated as observers in the Seminar: Afro-Asian People's Solidarity Organization; American University in Cairo, Office of African Studies; Arab Organization for Human Rights; Catholic Relief Services; Council of Arab Economic Unity; Egyptian Centre for Environmental and Rural Development; Egyptian Committee for Peace and Disarmament, Arab Coordination Centre for NGOs; Egyptian Consolidation Committee; Gaza Centre for Rights and Law; Info-Prod Research (Middle East), Ltd.; Japan International Cooperation Agency; Palestine Red Crescent Society; Palestinian Council for Justice and Peace; Palestinian Working Women Committee; Pax Christi International; Research on Refugees Welfare; Shadow United Nations; Swiss Trade Initiative, Middle East/North Africa; Tami Steinmetz Centre for Peace Research, Tel Aviv University; and World Muslim Congress.

C. Agenda

10. The purpose of the Seminar was to discuss the current state of the Palestinian economy, the factors that affect it and its future prospects, with a view to mobilizing greater support from Governments and intergovernmental and civil society organizations for the attainment of the legitimate economic rights of the Palestinian people, thus contributing to broader peace-building efforts.

11. In the opening session and during the course of the four panel discussions, the participants addressed the following issues in-depth:

(a) Palestinian institution-building and economic performance during the interim period: achievements, shortcomings and future tasks;

(b) Palestinian development objectives and strategies;

(c) Israeli-Palestinian economic relations during the interim period: expectations and reality;

(d) The current state of Israeli-Palestinian negotiations on economic issues;

(e) The future of Israeli-Palestinian economic relations (trade; labour flows; money, finance and investment);

(f) Impact of non-economic issues on sustained Palestinian economic and social development (Israeli settlements; Jerusalem; Palestine refugees; water and natural resources).

D. Opening of the Seminar

12. At the opening session, a statement was made by Mustafa El Fiqi, Assistant Minister for Arab Affairs and Permanent Representative of Egypt to the League of Arab States. A statement on behalf of the Secretary-General of the United Nations was read out by his representative, Hazem Abdel Aziz El Beblawi, Executive Secretary of ESCWA. Statements were also made by Ibra Deguène Ka, Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People, and Maher Al-Masri, Minister for Economy and Trade, Palestinian Authority, representing Palestine.

13. *In his statement, the Assistant Minister for Arab* Affairs and Permanent Representative of Egypt to the League of Arab States noted the continuing efforts of the United Nations to fulfil its role vis-à-vis the Palestine question. He expected the Seminar to provide a clear view of the situation in the Palestinian territory and to encourage donor countries to support the new Palestinian State when it was declared. Despite economic achievements, the Palestinian Authority had continued to suffer from measures taken by the Israelis

and the new State would require development and training resources to make up for the problems inherited from the Israeli occupation. What was required under the circumstances was a new vision for an effective and comprehensive international role to assist the Palestinian Authority on the path to sustainable economic development. He expressed the hope that the peace process would succeed in accordance with Security Council resolutions and recent agreements and that a final agreement would be concluded in September.

14. In the statement read out on behalf of the Secretary-General of the United Nations by his representative, the Executive Secretary of ESCWA, the Secretary-General expressed his belief that in the continuing Israeli-Palestinian negotiations, difficulties notwithstanding, both sides were demonstrating a strong commitment to making tangible progress and achieving a final status agreement. He encouraged them to recognize the urgency of advancing the peace process towards the achievement of a comprehensive, just and lasting peace in the Middle East based on Security Council resolutions 242 (1967) and 338 (1973). The international community should continue to assist the Palestinian people in meeting their social and economic development needs so as to create a solid foundation for future peace and stability in the region. The United Nations programmes and agencies had for many years provided such assistance, and since the beginning of the Madrid peace process had focused on developing the Palestinian infrastructure, enhancing institutional capacity and improving the living conditions of the Palestinian people. They would continue this important work, particularly now, at this crucial transitional stage. The contribution of donor countries remained essential, as did the support to UNRWA. The Secretary-General expressed the hope that the withdrawal of Israel from Lebanon would be seen by all peoples in the region as an encouragement to move ahead faster in negotiating peace treaties. It was crucial for Israelis and Palestinians not to let precious time slip away, and for the international community to do its best to help the parties on the road to peace. The Secretary-General stated that the United Nations would remain at the disposal of the parties in their quest for peace and reconciliation.

15. The Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People emphasized the importance of international assistance in meeting the economic and social challenges facing the Palestinian people. He noted that, since its inception in 1993, the Palestinian Authority has been operating under conditions of particular adversity and complexity. It had become directly responsible for education, health care and the provision of other basic services to the vast majority of Palestinians in the Occupied Territory; it maintained public law and order, and tried to develop the economy and to build Palestinian institutions. At the same time, the Palestinian Authority lacked control over key resources, such as land and water, did not have direct access to external markets, and a large share of its budget remained dependent on transfers of taxes and duties collected by Israel. Improvement in the living conditions in the Palestinian territory, the establishment of cooperative relationships and business partnerships throughout the region and the promotion of development were the essential foundations for peace and were in the interest of everyone, Arabs and Israelis alike.

16. In his statement, the Minister for Economy and Trade of the Palestinian Authority, representing Palestine, noted that there have been numerous problems since the Palestinian Authority took over. There were no institutions in place and challenges to the Authority abounded, such as the closure of the borders by Israel and the occasional obstacles to passing between different parts of the West Bank. Nevertheless, with international assistance the Palestinians had been able to overcome many of those obstacles. He stated that the Palestinian Authority looked forward to establishing an independent State with its hand extended to all neighbours, including Israel. The new State would like to become an integral part of the world economy but for that it would require the assistance of the world and the United Nations to help establish institutions and to insist on the implementation of United Nations resolutions. Stability and peace in the Middle East could not become a reality without justice, and economic support was essential to prevent instability and poverty from becoming paramount.

17. The representative of the Russian Federation reaffirmed his country's commitment as a co-sponsor of the Madrid peace process to the inalienable rights of the Palestinian people. He emphasized the importance of making progress in the Israeli-Palestinian negotiations, which were facing an extremely difficult

and pivotal stage, and the vital importance of uniting international community efforts at championing the fair demands of the Palestinian people. The socio-economic situation of the Palestinians remained far from satisfactory, despite some real successes of the Palestinian Authority in establishing basic public institutions, reducing public deficit, providing social services and creating new jobs. A lot of work had to be done to raise living standards, ensure sustainable economic development, promote investment, expand access to international markets, and reduce unemployment. However, these problems could not be really solved until the Palestinian people exercised their legitimate national rights within the framework of their own State.

18. The representative of Brazil reaffirmed his Government's support for the realization of the inalienable rights of the Palestinian people and for the successful conclusion of the Middle East peace process. He also referred to recent moves aimed at strengthening Brazilian-Palestinian cooperation, such as the acceptance by President Henrique Cardoso of Yasser Arafat's invitation to be a member of the International Committee of the Bethlehem 2000 Project. The United Nations had an important role in guaranteeing the exercise of Palestinian rights, in improving their living conditions and in promoting the social and economic development of the occupied territories.

19. The representative of the League of Arab States noted that economic development and the political situation were closely interlinked, as observed in the practice of the Israeli occupation policy aimed at tying the Palestinian economy to the State of Israel. The peace process had elicited commitments from the donor countries to assist the Palestinian people to alleviate the consequences of the Israeli occupation and to enable them to build institutions and the necessary infrastructure. That commitment, however, had been less than what was hoped for and has affected the success of the efforts of the Palestinian Authority. The League of Arab States would spare no effort to help the Palestinian people to establish the necessary framework for economic development, peace and stability. Israel continued manoeuvring in order to avoid fulfilling its commitments to the peace process and created many obstacles to the implementation of Palestinian rights. The violation of agreements put into question the peaceful intentions of the Government of Israel and resulted in continued difficulties in the region.

20. The representative of the Organization of the Islamic Conference emphasized that the peace process was going through its most delicate phase. The Israeli policy of procrastination and prevarication prevented the implementation of the major parts of the peace agreements. As 13 September drew near, everything pointed to the Israeli refusal to withdraw to the 1967 borders or to implement Security Council resolutions and to discuss issues such as the return of Palestinian refugees to their homes. The Palestinian people were experiencing extreme hardships as a result of the stranglehold imposed by the Israeli authorities. Economic development required peace and stability. The Israelis, under various pretexts, were confiscating land and water, and border closures by the Israelis were aimed at keeping Israel as the only country with which the Palestinians can trade. Israel also kept the fiscal returns on goods and commodities and did not revert them to the Palestinian Authority. Throughout the years of occupation, Israel had bogged down the Palestinian economy. Now, Israel must do its part to end the conflict, returning to 1967 borders and dismantling colonial settlements.

21. The representative of Pakistan said that his country had always steadfastly supported the Palestinian people's right to self-determination. The international community must remain closely involved in order to ensure the fulfilment of the solemn commitments under the peace agreements. It should also help overcome the severe economic difficulties faced by the people of Palestine. Economic development would enhance the peace process, while a major peace dividend would be economic cooperation between all the peoples of the region, which would enable them to reap the rich fruits of globalization.

22. The representative of Malaysia expressed deep concern in view of the potentially volatile situation and called on the parties concerned to revive the stalled peace process and on the international community not to allow this window of opportunity for finally bringing peace and stability to the Middle East to slip away. For peace to take root and flourish, it must be accompanied by economic growth and development, as well as improvement in the social and living conditions of the people. The international donor community should continue to support the rehabilitation of the Palestinian economy and to ensure that the socio-

economic development of the Palestinian society continued to be viable and sustainable. The Government of Malaysia had continuously supported the Palestinian people, *inter alia*, by establishing a special fund to assist the Palestinians in the occupied territories, financing Gaza Strip reconstruction, regularly contributing to UNRWA, assisting in the training of the Palestinian police force and civil servants, and establishing an open-ended training programme for Palestinian pilots.

23. The representative of Norway affirmed that the Middle East peace process was closely linked to the prospects for Palestinian economic and social development. International support for that development had contributed to keeping the peace process on track during a critical phase and had improved the quality of life of people in important areas. Norway had provided support for activities undertaken by various United Nations agencies and was a major donor to the Palestinian Authority. It had pledged to maintain the same level of bilateral support for the five-year period 1999-2003, with continued involvement in water issues, planning, education and electrification, as well as support for the reform of the Ministry of Finance. It hoped to consolidate and make its aid more efficient and better attuned to Palestinian development plans, as well as the donor coordination framework.

24. The representative of Tunisia noted that there was a close link between economic development and the need to achieve a just global solution that would enable the Palestinian people to realize their inalienable rights and to devote their efforts to sustainable development. The international community, represented by the United Nations, was called on to end the restrictions and obstacles imposed on the Palestinian economy by Israel. There could be no peace without development and no development without peace. It was hoped that the international community would respond to the requirements and needs of the Palestinian economy. Tunisia looked forward to increasing all forms of cooperation with the future Palestinian State.

25. The representative of South Africa said that the Seminar highlighted the fact that the sustainable and prosperous future of a Palestinian State was dependent on economic peace, that is, freedom to develop the Palestinian economy. There had been great strides by the Palestinian Authority in developing the economy but there were many constraints and obstacles faced by Palestinian businessmen, such as tariff and non-tariff barriers and restrictions to the free movement of goods and people. Still, the Palestinian people had a justifiably proud reputation for their business and economic acumen. With a full and just peace, the Palestinian economy would flourish and develop.

26. The representative of Japan stated that his Government had contributed to the Middle East peace process through political support, active participation in multilateral negotiations and economic assistance to the Palestinian people. With regard to political support, Japan tried to facilitate dialogue among the parties concerned and supported confidence-building measures. Young diplomats, both from Arab countries and from Israel, were invited every year to visit Japan together to forge mutual understanding and respect. In multilateral negotiations, Japan had taken the chairmanship of the Environmental Working Group, as well as actively participating in other working groups, in the belief that their initiatives contributed to regional cooperation and facilitated the bilateral negotiations. Finally, economic assistance was one of the most important contributions of Japan to the Palestinian people, amounting to US$ 520 million since 1993. In planning its assistance programmes, Japan focused on (a) human resources building, (b) legal and institutional building, (c) small-scale projects for rural communities, (d) Japan-Palestinian Authority-Israel trilateral projects for confidence-building, and (e) assistance to Palestinian refugees in the West Bank and the Gaza Strip, as well as in neighbouring countries. The representative of Japan stated that his country would continue these efforts.

27. The representative of ESCWA referred to the Commission's activities in supporting economic development in the Palestinian territory. Meetings, information and publications had been used to discuss the different issues of Palestinian development. More importantly, ESCWA has analysed problems and suggested policy alternatives, and provided advice on institution-building and on the formulation and implementation of policies. The Commission's regional advisers have supported various Palestinian institutions in the areas of agriculture, household and expenditure statistics, the system of national accounts, social development questions and issues concerning the liberalization of international trade and the World Trade Organization (WTO). Advisory services have also been provided to the transport sector, including the

construction of the Gaza harbour. Training on issues such as agricultural development policy, gender statistics and hydrology and water harvesting was a further service provided by ESCWA.

28. The representative of UPU affirmed the right of the Palestinian people to communicate and to enjoy efficient postal services. The UPU Congress decided, in 1999, to recognize the right of the Palestinian Authority to exchange mail with any country directly, without going through a third State. UPU was paying particular attention to modernizing the Palestinian postal services.

II. Summary of the panels

Panel I. Palestinian institution-building and economic performance during the interim period: achievements, shortcomings and future tasks

29. The first panel, entitled "Palestinian institution-building and economic performance during the interim period: achievements, shortcomings and future tasks", comprised a keynote address and two expert presentations.

30. The keynote speaker, Maher Al-Masri, Minister of Economy and Trade of the Palestinian Authority, presented some key aspects of the Palestinian economy. Unemployment had dropped but the problem of public sector employment still had to be tackled. Growth depended on external factors and the lives of Palestinians were not really affected; in real terms, per capita income was about 10 per cent less than it was in 1993. Much had been achieved but efforts had to be intensified in order to improve the quality of life of the Palestinian citizen. The Palestinian Authority had to attack institutional issues and improve the performance of its services. Core financial and economic laws had been drafted and diverse laws that applied in the West Bank and Gaza had been unified. Work was still ongoing and all basic laws on economy and finance should be functional by the end of 2000. The aim of the Higher Council of Economic Performance was to draft a policy that would be reflected in the improvement of the lives of the people and the performance of the Government. It would entail disclosure and transparency of government activities and projects in which the Government was a partner and consolidating revenues into one account. Several meetings had been held with private enterprises on privatization. The importance of the information technology sector was recognized. The change in the political situation was expected to attract foreign investment to the future State. Palestine was already part of the League of Arab States and wanted to be fully integrated into the Arab economic area. It would like to have greater diversity, to make use of the free trade agreement with the United States, and to go beyond the limitations imposed on it by the Paris Protocol. Palestinians looked forward to cooperation with Israel but also to the benefits granted to any emerging economy.

31. Omar Daoudi, Senior Adviser to the Programme of Assistance to the Palestinian People, UNDP, in Jerusalem, identified some of the shortcomings of Palestinian Authority institutions, from ministries to the village level, as follows: lack of capacity in certain areas to plan and implement projects; weakened social, economic and physical infrastructures inherited from the occupation; weakness of governing institutions which had only four to five years to develop; rapid population increase; lack of financial resources; centralized decision-making; and need for responsibility, transparency and accountability in financial management. To help Palestinians surmount the obstacles they face, good governance was a crucial priority area, as without it development efforts would be undermined, or even doomed to failure. The gap between public expectations and actual results was growing in the area of institution-building, therefore responsive institutions worthy of continuing public confidence should be created. The Governance and Public Administration Unit of UNDP focused on providing technical and capital assistance to the Palestinian Authority, in the areas of public sector management, capacity-building at the Ministry of Planning and International Cooperation, preparing the Palestinian Development Plan, and training and technical assistance to ministries. The wealth of human resources of the Palestinian territory should define the parameters for international assistance, and a clear component for success should involve looking to the more than 4.5 million expatriates in North America and Europe. UNDP had succeeded in involving more than 250 professional scientists, technologists and other experts in development projects under the Transfer of Knowledge through Expatriate Nationals scheme.

32. Salem Ajluni, Head of the Economic and Social Monitoring Unit at the Office of the United Nations Special Coordinator, reminded Seminar participants that, for the past four years, his Office has produced reports on the Palestinian economy, now available on the Internet (www.unsco.org). He stated that in the past three years the recession of 1995/96, caused by severe border closures, has given way to a recovery of macroeconomic conditions. The Palestinian territory has experienced growth of 7 to 8 per cent in 1998 and 6 to 7 per cent in 1999, which was underlined by improvements in most macroeconomic indicators, e.g., Israeli-Palestinian trade, planned private construction activity, the value of approved private investment projects, and bank credit to private businesses. Nonetheless, real per capita income remained about 10 per cent below its 1993 level. The growth resulted in a reduction of the standard unemployment rate from about 20 per cent in 1997 to less than 13 per cent in 1999, with an additional increase in the number of employed women in the same period by about 25 per cent. The reasons for renewed economic growth could be traced to the reduction in border closures and the regeneration of labour flows and wage income; a 23 per cent increase in public sector employment between 1997 and 1999; and public investment financed by donor countries. Those sources of employment growth, however, were not sustainable. The major challenge would be to create enough jobs to absorb a young labour force; a related challenge was to raise women's employment in the formal labour market, as that would both raise family incomes and tend to reduce the present high fertility rates. Data for 1999 and 2000 have already showed weakening employment growth. The key to raising employment further would be private investment — mainly domestic but also foreign — which could augment productive and export capacities. A policy and enabling environment that maximized productive investment would be critically important. In addition to the development of industrial and free zones and significant improvements in public infrastructure, future progress would depend on a more rapid pace of institutional and fiscal reforms on the part of the Palestinian Authority. Also, serious judicial reform and additional public infrastructure would be required. Furthermore, everything must be done to ensure that Israeli authorities did not continue to impede the free movement of Palestinian people and merchandise locally, regionally and globally.

Panel II. Palestinian development objectives and strategies

33. The second panel, entitled "Palestinian development objectives and strategies", comprised three expert presentations and a statement by the Committee Chairman on international assistance to the Bethlehem 2000 Project.

34. Mohammad Shtayyeh, Director-General of the Palestinian Economic Council for Development and Reconstruction of the Palestinian Authority, stated that the Palestinian infrastructure had been destroyed over the past 32 years. The roads had deteriorated and not a single new school had been built. The new State would need 415 new schools, at a cost of $850,000 each. At the same time, the infrastructure serving the settlements was totally at the expense of the Palestinians, particularly with regard to land and water. Some 184 villages in the West Bank and Gaza had no water and more than 20 per cent of the people did not enjoy a constant supply of electricity. Many Palestinians lived on less than $2 a day. It had become impossible for Palestinians to move between the West Bank and the Gaza Strip. Employment fluctuated on an overnight basis, depending on when the Israelis chose to close the borders. Israel followed a policy of colonization that incorporated the West Bank into Israel and left Palestinian peasants landless and trying to find employment in Israel. Thus, the Palestinian economy had been made hostage to Israel. In rehabilitating the infrastructure, the Palestinian Authority had concentrated on water, schools and housing. Moreover, it had decided to unify the legal framework for the West Bank and Gaza, to create jobs for Palestinians who have returned from the Israeli labour market, and to encourage the private sector and privatization. The Authority was working on good governance and institution-building to create a transparent government. The question was how to restructure the relationship between the Palestinian and the Israeli economies. Palestinians were 32 years behind the rest of the region and would have to rush to catch up. Economics could not be divorced from politics and the final outcome of the political negotiations was not certain as regards control over water and the geographical continuity between the West Bank and Gaza. Would donor countries continue to support the future Palestinian State? Mr. Shtayyeh quoted Chairman Arafat who had said in the Paris meeting that mistakes had been made, and assured the

participants of the Seminar that the Palestinian Authority had begun to correct those mistakes.

35. Saad Al-Khatib, Deputy Director-General for International Relations of the Ministry of Economy and Trade of the Palestinian Authority, informed participants that a Higher Council for Development Objectives had been established in order to identify development goals and to put in place a strategy for achieving them. Lower unemployment rates and rising per capita income, as well as the rise in bank deposits and lending, were the first indicators of an improvement since 1995/96. However, unemployment remained at twice the level of 1993 and recent gains were primarily from public sector hiring and increased employment in Israel, both of which were not sustainable. The incidence of poverty was prevalent, trade statistics showed a continuing deficit, and the much needed private sector response and investment had largely not yet materialized. The economic policy framework presented by the Palestinian Authority set forth a Palestinian government in which finances were under the control of several mechanisms, including the adoption of a full annual budget in a timely manner, integration of the relevant development budgets, consolidation of governmental accounts, transparency in governmental investment, privatization where possible and consolidation of the civil service hiring procedures and wages programme. Emphasis was also put on the creation of an efficient system for social services, primarily for education and health, with many programmes aimed at improving service delivery in this field. Social security mechanisms had to be created for the unemployed and the aged or disadvantaged and a social pension system, insurance system and other public or private means of addressing poverty were essential for sustained development. The creation of an environment for private sector development was an important pillar in the Palestinian economy. To this end, the Palestinian Authority had undertaken to formulate financial laws, which would meet international standards; develop a dialogue with the private sector, which would affect public sector policies; and establish alternative trade partners.

36. Raja Khalidi, Coordinator of the Assistance to the Palestinian People Unit, Globalization and Development Strategies Division, UNCTAD, stated that the UNCTAD secretariat had studied the future Palestinian economy and had drawn optimistic conclusions. In 1990, the secretariat had begun work on a research project on prospects for sustained development of the Palestinian economy. The project included the design of a computerized quantitative framework that charted the historical relationship between key macroeconomic aggregates and projected alternative plans for the development of the Palestinian economy during the period from 1990 to 2010. The original version of the quantitative framework proved to be a robust and largely accurate tool for charting broad future trends that the Palestinian economy could be expected to follow. A new version of the framework, redesigned as a macroeconomic simulation framework, has recently been completed. The macroeconomic simulation framework assumed that the resident population would grow in line with forecasts projected in the original quantitative framework except for one major development. The quantitative framework assumed that the Palestinian expatriate population would begin to return to the Palestinian territory following a five-year interim period. Their incorporation into the macroeconomic simulation framework increased the potential output and labour market gap and thus raised the challenge of productively absorbing them. Three alternative sets of projections were presented in the macroeconomic simulation framework, though all faced the same challenge: how to reverse or reduce major gaps while productively absorbing 1 million returnees during the period from 2000 to 2010. One scenario reflected a continuation of current economic trends into the projection period, with no effort undertaken to address structural imbalances and therefore disastrous long-term social and economic implications. The first alternative scenario focused on extra investment in export industries and selected import substitution industries to boost savings, investment and growth, drawing on currently available financial resources. The second alternative scenario featured a more intensive investment and export drive, with the support of significant flows of net external financial transfers. The key goals that the macroeconomic simulation framework attempted to achieve by 2010 were the attainment of a high and sustained rate of economic growth; a significant reduction in the overall gross domestic product (GDP) share of private consumption; a gradual decrease in government consumption from the current high levels and share of GDP established in the 1990s; maintaining a strong investment rate of about 30 per cent, with more significant government investment; and exports to regain historically strong

levels. Other policy goals included a major reduction in the share of imports out of GDP, a reduced trade gap and a current account balance, attaining a savings/investment surplus and a significant reduction in the reliance on net factor income from labour in Israel. Policy goals also included sustainable, if not insignificant, unemployment rates; sustained growth in living standards; and productive, phased absorption of 1 million Palestinian returnees. The challenge was great; the policies and strategies to reach those goals were complex and called for a concerted Palestinian and international effort, but if the building of other new States, including Israel, provided any lessons, it was that with the will, vision and available resources, it could be done.

37. The expert presentations were followed by a statement made by the Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People regarding international assistance to the Bethlehem 2000 Project. The celebrations that had begun on Christmas 1999 and that would last until Easter 2001 were originally conceived as a way of restoring the religious and historical sites of Bethlehem and of upgrading the city's infrastructure and tourist potential, with a view to welcoming the millions of tourists and pilgrims who wished to commemorate a unique event in the Holy Land. It had been a real challenge for the Palestinian leadership, since years of conflict had had a negative impact not only on the socio-economic situation of the inhabitants of Bethlehem, but also on the condition of the sites and of the city's buildings and public services. For two years in a row, the General Assembly had supported the Project and had called for the international community's increased assistance to and engagement in this initiative. In 1999, the Committee on the Exercise of the Inalienable Rights of the Palestinian People implemented activities aimed at heightening awareness of the Bethlehem 2000 Project and mobilizing international support for and assistance to it. The convening of the Bethlehem 2000 International Conference in Rome in February 1999 was the highlight of the Committee's programme of activities. A delegation of the Committee was received by the President of Italy and had an audience with His Holiness Pope John Paul II. United Nations system entities, such as UNDP, UNESCO, the World Bank and others, had assisted the Bethlehem 2000 Project. They had focused on rehabilitating the infrastructure and developing the tourist industry in close cooperation with the municipality of Bethlehem. The European Commission, non-governmental organizations, donor countries and individuals had made substantial contributions. However, much work was yet to be done in the city and in other Palestinian municipalities throughout the West Bank and the Gaza Strip. The Palestinian people would not be able to cope with this enormous task by themselves, but needed help from the international community. Donor assistance, in particular, was vital to the sustainability of the Palestinian economy and to efforts aimed at improving the economic and social conditions of the Palestinian people. The Committee called on the donor countries and the entire international community to spare no efforts in assisting the Palestinian people in this important undertaking. It was hoped that all Member States would give wholehearted support to the draft resolution that the Committee would submit to the General Assembly at its fifty-fifth session. It was also hoped that pilgrims would continue to flock to the Holy Land and forge bonds with the Palestinian people.

Panel III. Israeli-Palestinian economic relations during the interim period and their future prospects

38. The third panel, entitled "Israeli-Palestinian economic relations during the interim period and their future prospects", comprised six presentations made by experts.

39. Samir Huleileh, Nassir Investments Co., Ltd., Bethlehem, stated that Israeli policies and procedures implemented since 1967, including cancelling the registry for companies, closing banks and pushing out the dinar, had made it difficult for Palestinians to develop their agriculture and industry. The main feature of the Palestinian economy was the migration of labour, not only to Israel, but also to the Gulf States and other countries. The Palestinian economy had become too vulnerable to political and economic decisions taken in the surrounding countries, to the point that each Israeli-imposed closure caused not a recession, but a collapse of the economy. Palestinians hoped to reverse that process in the negotiations leading to the Paris agreements. While there were arguments in favour of the separation from Israel, for instance, to reverse the restrictive economic policies and reabsorb the migrant labour, in reality such separation would be on paper only. In addition, it was

impossible to build a solid economic entity without the proper infrastructure, specifically, seaport, airport or land port, all of which were prohibited during the interim period. Describing the current economic situation, Mr. Huleileh noted that there was now a functioning registry of companies, and there were 21 banks with numerous branches operating in the West Bank and Gaza and gathering strength lost since 1967. Three currencies were used in the territories: Jordanian dinar, Israeli shekel and United States dollar. The direct links with other countries were much wider now, with trade reaching $1 billion in 2000, although most imports had to be dealt with through Israeli customs. While the Palestinian Authority had made some achievements in the interim period, there had been three main restrictions during that period: first, the political one, especially during the Government of Mr. Benjamin Netanyahu, with the economic track always lagging behind the political one; secondly, the security issue, which could cause the entire agreement to collapse. The customs union was a kind of partnership, but closures meant restrictions on the free movement of goods, and that kind of partnership was impossible to live with. Thirdly, the Israeli economic concerns also affected the development of the Palestinian economy and, in the past six years, there have been restrictions imposed by other countries in the region as well, which raised the question of how ready were those countries to accept a Palestinian State. Mr. Huleileh mentioned two concrete economic measures that could help the development of the Palestinian economy: setting the value added tax at a level of 2 per cent less than that for Israel, and establishing free economic zones.

40. Nadav Halevi, Professor, Department of Economics, Hebrew University, Jerusalem, stated that before the Paris Protocol of 1994 there was what could be described as a one-sided customs union, where Israeli goods went freely into Palestinian territory, but Palestinian goods faced many restrictions in Israel based on what seemed good for Israel, even in the eyes of a small official. The Paris Protocol changed that, creating a more equal customs union, with some aspects of a free trade area, encouraging trade with Egypt and Jordan. However, the expectations raised, of a larger volume of trade with other countries and an increase in the opening of the Israeli market to Palestinian goods, were not met. In Mr. Halevi's opinion, there were four reasons for this: (a) closures, and security in general, not only as related to actual terrorism, but also to a large extent the perception of it; (b) a large amount of red tape; (c) plain ill will; and (d) the absence of a direct outlet to other markets for Palestinian goods. The opinion was also expressed that the Protocol itself could have been formulated differently; it could have included some clauses for the settlement of disputes and other items could have been adjusted; but basically, there could not have been another agreement under the prevailing conditions. Still, there has been some progress, for example, the recent removal of 1,300 tariff items and the clarification of handling of taxes. For the future, Mr. Halevi expressed the belief that total separation from Israel, as well as the complete integration of the Palestinian economy into the Israeli one, were both equally unlikely, and that, overall, the Palestinian economy needed the Israeli one more than the Israeli economy needed the Palestinian one. Mr. Halevi said that a free trade area or a customs union was feasible. In a free trade area, Palestinians would have complete sovereignty over trade with other countries, but a border was needed to distinguish between goods for one party or the other. Once the borders and checks existed, avenues would be opened up for protectionist activities and other abuse. Jerusalem would not be physically divided and an open city made a customs border unfeasible. Mr. Halevi favoured instead a hybrid between a free trade area and a customs union, with no customs checks. There should be smooth movement of goods and labour. The problem, from the Israeli point of view, was one of security, so the arrangements must be as closure-proof as possible. The Palestinians had to have direct contact with other economies. Mr. Halevi expressed the view that the main problem was not a lack of good ideas, but a lack of good will. If there was good will, good things would happen.

41. Samir Abdullah, Head of Paltrade, pointed out that possible options for Palestinian-Israeli trade included economic separatism, a free trade system or a customs union, and that there could be no total separation. Economic separatism would provide freedom to develop an independent foreign trade policy and there would be no problems with Israel regarding rules of origin and financial outflow. There was, however, the possibility that Israel might close its market to Palestinian products. Moreover, Palestinian products were not very competitive in the markets of neighbouring Arab countries. A free trade system would affect the cessation of the financial outflow of taxes and customs receipts, as the future State of Palestine would levy customs duties and taxes on all

imported goods. It would guarantee the continuation of Palestinian exports to Israel and provide an incentive to develop its imports. Improvement in the terms of trade with Israel would force its companies to compete with international companies in the Palestinian market. On the negative side was the high cost of the formulation and control of rules of origin and the cost of ensuring that Palestinian products comply with rules of origin in order to guarantee their entry into Israel. A customs union would provide the possibility of benefiting from the network of Israeli economic relations with foreign States and avail the Palestinian territory of an ongoing outflow of Palestinian exports to Israel. It would strengthen the negotiating power of the participating countries and facilitate saving the costs of checking and administering rules of origin. A free trade union would be the logical step to enable the Palestinian Authority to make progress in the development of its future relations with Israel. The Israeli labour market should remain open to Palestinian workers for the next 10 years until Palestine was able to develop programmes to absorb them into the Palestinian market.

42. Gil Feiler, Managing Director of Info-Prod Research (Middle East), Ltd., Ramat-Gan, stated that since the signing of the Oslo Accords, the Palestinians had not been reaping an economic reward, facing economic decline instead, despite some improvement in the situation lately. The change in economic relations as a result of the peace process created new problems for the Palestinians, who were now competing with their Arab neighbours. Mr. Feiler, in his presentation, concentrated in particular on the Israeli-Palestinian-Jordanian economic dynamics. Expressing concern about the lack of outside, and, in particular, Israeli investment in the Palestinian market and noting the extent of Israeli investment in Jordan, he proposed that Palestinians consider adopting Jordanian methods to attract investment. Since the signing of the Oslo Accords, there had been less than $20 million of joint venture capital in the Palestinian territory compared to more than $100 million in joint venture investments in Jordan. It served as a signal to international investors that Jordan was a feasible place to invest. Moreover, the labour costs in Jordan, whose population was in large part Palestinian, were lower than those in the Palestinian territory. Furthermore, the infrastructure in Jordan was better than that in the Palestinian territory. Reviewing Israel-Palestinian Authority trade statistics, he stressed that the Palestinian market was Israel's second single largest market, and Israel was both the leading Palestinian export destination and the leading import source, while the success of Palestinian products in Arab markets has been marginal. Still, through the years, both sides have expressed dissatisfaction about the nature of their economic relations. It was likely that the Palestinian market would offer lucrative business opportunities to Israel in the future. However, construction of the new seaport in Gaza would change the Israeli-Palestinian business prospects by creating a short-term increase in demand for Israeli goods and services, but in the long run, reducing Palestinian exports from Israel. Furthermore, Mr. Feiler suggested that the high-technology sector and the services around it could be a fertile ground for Palestinian-Israeli joint ventures. If the Palestinian Authority cooperated with Israel in that sector, venture capital would be immediately available.

43. Edward Haley, Professor of International Relations, Claremont McKenna College and Claremont Graduate University, California, noted that there was nothing mentioned so far in the Seminar about the social vision of the Palestinian Authority. Mr. Haley identified three different gaps or inconsistencies in the present situation. First, there was the expectations gap on both sides. Some or most Israelis thought that the peace process would mean the end of conflict, military confrontation and terrorism, and, furthermore, the end of the militarization of their society. On the Palestinian side, equally unrealistic expectations included the reversal of past losses and humiliation, economic progress and, generally, the solution of all their problems. Secondly, there was a gap in the orientation of the parties towards each other, while on both sides there was hope that they would achieve separation and integration without costs to anyone. Thirdly, there was the integration gap, with this region being one of the least integrated in the world. The level of Arab-Arab trade was very low and that of Arab-Israeli trade was even lower. An interesting model could be provided by the Association of South-East Asian Nations (ASEAN), which pursued a kind of open regionalism and was an example of a politically painless method in which regional cooperation could begin. Mr. Haley stressed that there also must be regional support for the peace process. Isolation provided the greatest freedom of unilateral action and was the easiest choice for domestic politics; however, it presented far less ability to influence other countries ahead of such action. The

promise of integration held a great deal of advantage over isolation.

44. Saeb Bamya, Director-General for International Relations of the Ministry of Economy and Trade, Palestinian Authority in Ramallah, called attention to the actions taken by Israelis based on their perception of security considerations. Closures caused innumerable problems for the Palestinians. Open regionalism, such as that pursued by ASEAN provided an interesting model for Palestinians to consider. Analysing the Paris Protocol, Mr. Bamya said that it presented something unique. It could not be called a customs union, because the two parties were not equal. Israel changed and defined import policies without consultation with its Palestinian counterparts. There was a large gap between the two economies and there should be an Israeli fund to fill in the gap. During the interim period, the question of security, as perceived by the Israelis, presented major obstacles for the Palestinians. The majority of Israelis felt that security concerns would exist for the next 20 years. Another issue of concern was the need for the diversification of trade. In any future trade arrangements, Palestinians should not be totally dependent on Israeli interests. Palestinians were impeded in establishing trade relations with a third party because of the need to use Israeli ports. Israeli policy was that there should be no real Palestinian economic development during the interim period. For example, Israel still does not recognize the Palestinian agreement with the European Union. Realistically, economic relations between the two sides have to be based on the following principles: any future economic agreement should be an agreement between two independent States; there should be territory continuity in the Palestinian State and there should be no Israeli interference in the movement of goods and people between the different parts of the State; any agreement must be compatible with WTO rules and regulations; the Palestinians should have full authority over their internal and external economic policies, they should be free to establish their own trade regulations and they should be able to negotiate freely with any trade partner. In Mr. Bamya's opinion, any agreement would be better than the existing situation. Ideally, there should be unrestricted market access for the export of Palestinian goods and services, full autonomy for trade policies with third parties and absolute treaty-making powers and provision for efficient systems of revenue collection through the elimination of fiscal leakage and dependence on transfers from Israel. Major obstacles, such as back-to-back trade, should be eliminated. Economic relations with Israel should also allow for the introduction of special preferential treatments, and be consistent with a politically sovereign Palestinian State as a single territorial unit. In Mr. Bamya's view, institutional cooperation could solve many of the problems they had experienced in the interim period, a large number of agreements could be implemented through it, and mutually recognized dispute settlements could be guaranteed.

Panel IV. Impact of non-economic issues on sustained Palestinian economic and social development (Israeli settlements; Jerusalem; Palestine refugees; water and natural resources)

45. The fourth panel, entitled "Impact of non-economic issues on sustained Palestinian economic and social development (Israeli settlements; Jerusalem; Palestine refugees; water and natural resources)", comprised seven presentations made by experts.

46. Shibley Telhami, Professor of Government and Politics at the University of Maryland and Senior Fellow at the Brookings Institution in Washington, D.C., noted that the task confronting the Palestinians in economic development was not simple. A number of non-economic factors had to be taken into account and economic pay-off would not be immediate. Non-economic challenges to economic development included relative independence as well as institutional and social barriers. An independent legal system was a necessity. Currently, there was no clear line of authority and no confidence in the judiciary, something that was important to investors. Much could be accomplished with regard to banking. There should be further focus on the private sector and increased privatization. The size of public sector employment was too large for the economy. Despite the high level of education in the Palestinian territory, the focus was not necessarily on the right areas. There was too little emphasis on research and a lack of cutting-edge research institutions, elements needed to attract qualified expatriates. Sound economic programmes could not be implemented in the absence of independence. A major barrier to Palestinian trade was the absence of access to the outside world, while the

lack of contiguity presented a significant barrier to trade within the territories. A robust programme of development would require unimpeded access regardless of short-term sovereignty arrangements. The final agreement should address that problem, as it should also address the settlement problem. A proposal that selective settlements be dismantled over the next five years through Palestinian and Israeli disincentives for settlers to stay would allow Israel to keep extraterritorial control. That constituted grounds for problems and any timetable of that sort had to be limited.

47. Yossi Katz, member of the Israeli Parliament (Knesset), noted that the basic economic interests of the two parties were so intertwined that even political separation could not solve the problem. Poverty, ignorance and a sick economy were the best way to fan the flames of terrorism and promote radical groups, whereas a strong Palestinian economy would afford peace a better chance. A correct balance between security needs and the free movement of resources was needed, as well as a balance between economic cooperation and dependency. Some 35 five per cent of Palestinian workers found ways to avoid the roadblocks every day in order to go to work. Israel sold three times what it bought from Palestinians and that ratio should be changed. Political steps should accompany economic steps. Although neither side would be able to realize all its aspirations, Israel and the Palestinian Authority should reach agreement on each of the remaining sensitive issues on the agenda. Jerusalem should be an open city, without borders, and the holy places should be open to all. Mr. Katz said that his personal nightmare was to see Jerusalem surrounded by barbed wire. He proposed that all Palestinian villages, like Abu Dis, El Azaria and Anata, as well as clearly Palestinian suburbs of Jerusalem, such as Beit Hanina, should be part of Palestinian Al-Quds, under the sovereignty of the Palestinian State. There also should be an arrangement by which the Jewish settlements in the territories remained under Israeli control. To educate its public and to demonstrate sensitivity to the Palestinian people, Israel should announce its willingness to take in 200,000 refugees. Palestinian prisoners should be released, even those who had killed Jews before the Oslo agreements. The most radical members of Fatah would thus be turned into the best ambassadors of peace.

48. Sharif S. Elmusa, Associate Professor of Political Science at the American University in Cairo, emphasized that water resources were a major non-economic factor affecting Palestinian development. Much of the Palestinian foreign exchange went for imported food that could not be grown because of the lack of water. Israel had imposed water restrictions as a way to control the land, and Israeli consumption of water had increased over the years. Palestinians and Israelis have agreed that the inequality would have to be addressed. However, no matter how much water was divided or redivided, there was not enough. Israel, which was much more able to tap the water resources, had an important but little known aquifer in the Negev desert, with 70 billion cubic metres of water. Israel also had the capacity to desalinate water. Therefore, it was able to give back to the Palestinians water that it had denied them over the years.

49. Taher Shash, Legal Adviser to the Arab Organization for Human Rights, maintained that the situation in the Palestinian territory had not improved with the Oslo agreements. Cooperation was to be extended to various areas but the agreements were implemented in a selective manner. The settlements were the cornerstone for the Israeli project to take over all Palestine, as they controlled the sources of water and occupied arbitrarily annexed land from which Palestinians had been forced to flee. The annexation of Palestinian territories, and Israeli settlements, had thus taken over a large part of the West Bank. It was said that Israel was proposing to keep 40 per cent of the West Bank. The settlements represented agricultural and social centres that were subsidized by the State. In Jerusalem, Israel had been following a policy of annexing it entirely. The development of East Jerusalem, one of the largest cities and main tourist site, had been expanded so that it represented 25 per cent of the West Bank.

50. David Newman, Head of the Department of Politics and Government at Ben Gurion University of the Negev, stated that the map drawn up at the second Oslo conference was a recipe for disaster, as there was no territorial compactness and contiguity and it was necessary to cross from one side to the other on a daily basis. The entirety of the peace process had been based on the concept of separation, and the argument for a bilateral State was not acceptable to the vast majority on either side. The location of Israeli settlements was problematic. The Government at the time of the Oslo

agreements was unable to discuss the question of the evacuation of 180,000 settlers. The big test would come when the first settlements were to be evacuated. It could be a rallying call for settlers and the right wing and result in major violence. Even if the Israelis wanted to withdraw from the settlements they could not. The idea that some settlements could remain as exclaves was not feasible. Mr. Newman suggested that when discussing the borders it was not necessary to be limited by the borders of 1949 or 1967; all other options had to be reviewed to arrive at a best possible separation. Modern computer systems could assist in such an undertaking.

51. Emad Gad, Researcher on Palestinian Affairs at the Al-Ahram Centre for Political and Strategic Studies in Cairo, noted that, in general, the Arab-Israeli negotiations were divided into direct bilateral negotiations and multilateral regional negotiations. The Israeli-Palestinian agreements were meant to reach a final status in September 1998. The parties should recognize that it was pointless to base their future on weapons. They should firmly believe in the need for a settlement, something the Palestinians had come to believe. Israel depended more on arms and weapons in its dealings with the Arab countries. The Arabs, who had owned more than 44 per cent of Palestine, did not accept the 1947 partition. The United States of America supported Israel both financially and politically. The Palestinian question had both bilateral and multilateral aspects. When the bilateral negotiations stopped, regional negotiations stopped too and all projects came to a halt. Settlement of the issues of refugees and water required a climate of regional cooperation; otherwise those issues might lead to the total sabotage of the negotiations.

52. Akrum Tamimi, Vice-President for Planning and Development of Hebron University, presented a slide show on experimental stations under the auspices of Hebron University, which were intended to demonstrate that sustainable use of natural resources led to sustainable economies. Natural resources needed to be carefully managed. The many different climates encountered in the Palestinian territory made agricultural production possible throughout the year. A project known as the Arub experimental station obtained a $1 million grant to upgrade its facilities. Greenhouses, agricultural machinery and land-levelling were to be financed by the European Union but Israeli military restrictions had interfered with construction plans. Moreover, the project was further threatened by the Israeli plan to build a paved road through the experimental station.

III. Closing session

53. Closing statements were made by Soliman Awaad, Assistant Minister for Multilateral Affairs of Egypt; Nasser Al-Kidwa, Permanent Observer of Palestine to the United Nations; and Ibra Deguène Ka, Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People.

54. In his statement, the Assistant Minister for Multilateral Affairs of Egypt summarized some of the findings of the panel discussions. He emphasized the need for the sustained increase of the growth rates of the Palestinian economy, as well as its import and export rates, which would reflect positively on the improvement of the living conditions of the Palestinian people. That would require continued and increased assistance by the international donor community. He stressed that any economic success was closely linked to progress in the peace process. He expressed Egypt's desire to cooperate closely with a future independent Palestinian State.

55. The Permanent Observer of Palestine to the United Nations expressed his delegation's appreciation for Egypt's continued support of the Palestinian people, be it at the United Nations or elsewhere. He emphasized the important role of donor countries, United Nations bodies and agencies, in particular UNDP and the Office of the United Nations Special Coordinator, in providing much needed assistance to Palestinian economic development. He pointed out that in the entire Middle East region, economic development was closely linked with the political situation. For the Palestinian people, that meant above all putting an end to foreign occupation and achieving national independence. Healthy economic relations with Israel were in the interest of Palestinians and Israelis alike. He also expressed the wish for mutually advantageous economic relations with the Arab countries. In conclusion, he reiterated the hope that the final status agreement would be concluded in time and that the United Nations grant full membership to Palestine to enable it to participate fully in the Millennium Summit.

56. In his concluding remarks, the Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People said that the Committee had always attached great importance to social and economic development and improvement of the living conditions of the Palestinian people. It was for that reason that the Committee had devoted a special place in its annual programme of work to the social and economic issues of the transitional stage. In a continued effort to mobilize international assistance to the emerging Palestinian nation, the Committee had decided to convene the United Nations Seminar on Prospects for Palestinian Economic Development and the Middle East Peace Process. The participants reviewed the current status of Palestinian institution-building and economic performance during the interim period and the steps taken towards establishing a better environment for sustainable economic development, in coordination with donors, intergovernmental organizations and other actors. The experience gained in the past several years has been thoroughly discussed and formed the basis for formulating objectives and strategies of Palestinian development. The participants were of the view that partnership between Israelis and Palestinians in the peace process had to be accompanied by partnership in economic development, and that sustained Palestinian economic and social development was in great measure influenced by non-economic issues. The outcome of the negotiations on interim and permanent status issues would most certainly affect the present Palestinian economic activity and the future of the Palestinian economy in general.